1- Governmental Entities

- ***Governmental entities*** are organizations which established nation's resources for the welfare of its citizens.
- ***Governmental entities*** aim to provide people with various essential services such as: Police services, Fire protection services, healthcare services, constructions,…etc.
- The Government mainly raise its financial resources through the TAXES.

2- The Difference between the Non-For-Profit and the Non-Business Entities

- ***Not-For-Profit Entities*** are a type of organizations that does not earn profits for its owners, also it is dedicated to furthering a particular social cause or advocating for a shared point of view.
- ***The Non-Business entities*** mainly raise its financial resources through DONATIONS.

3- The Levels of Governmental Entities

According to Law 127 for 1981, Governmental Entities are classified into the following three levels:

a) Central (General) Governmental Entities: this includes the governmental entities which provides Non-profit services such as ministry of education and other ministries.

b) Local Governmental Entities: which produce some of the functions of government policies at local levels such as governorates, provinces, cities, districts, and villages.

c) Public Governmental Entities: which provide services to the society without /with low price such as post offices, railway transportation, and etc.

4- Definition of Governmental Accounting

Def.: ***Governmental accounting:*** is a group of rules which are applied in governmental units for preparing and implementing the stated budget and for recording and classifying the financial transactions that are made by these units. Also, governmental accounting include rules for pre-checks and internal control systems, and rules for presenting and analyzing the results in the financial statements and the final accounts in these units. (according to Law 127 for 1981)

5- Characteristics of Governmental Accounting

There are several characteristics of governmental accounting should be illustrated:

1. It includes both financial control and pre-and post-internal checks in order to maintain assets and resources owned by governmental entities.
2. Rules for preparing and implementing the state budget.
3. Recording and classifying financial transactions made by governmental units.
4. There is no direct relationship between revenues and expenditure in the governmental entities.
5. The state budget can be viewed as a main integrated tool between planning and control for both public expenditures and public recourses.
6. Government decisions about how much to spend, and what to spend must be taken at different governmental levels.
7. Governmental accounting provides key information to national decision makers to manage public expenditures, and how to finance all these public expenditures.
8. The state budget can be considered a major device of helping national decision makers to administrate each expense, and to coordinate national activities.

CamScanner

6- Objectives & Functions of Governmental Accounting

Objectives of Governmental Accounting:

In general, governmental accounting aims to achieve the following objectives:

1. Regulating the recording of estimated and actual public expenditure as well as estimated and actual revenues.
2. Maintaining public money by monitoring payments and receipts.
3. State policy rationalization to assist in decision making.
4. Supervising the state-owned properties and other fixed assets to ensure their safety and maintenance.

Governmental Accounting Functions:

Government accounting - as a productive and communicative system of financial information related to the activities of the Government - has several functions which can be presented as follows:

- Providing information for accountability:
  A. Financial accountability. B. Administrative accountability.
- Provide information for oversight purposes.
- Provide information for the preparation of national accounts.

CamScanner

7- Objective for Non-business Organizations

Has a primary objective which is accountability:

1. To compare actual results with budgets (to evaluate the performance of government)
2. Determine compliance with laws and regulations.
3. Evaluate efficiency and effectiveness by measuring the level of services that the government was provided.

CS CamScanner

8- Distinguish between Financial Accounting and Governmental Accounting

1- Objective:

Financial Accounting: Interested in preparing a statement of profit and loss for a certain period and determining the financial position at the end of the same period.

Governmental Accounting: aims to impose financial and legal control over the revenues and expenses of the State.

2- Accounting unit:

Financial Accounting: The accounting unit here is the independent moral personality of the company.

Governmental Accounting: The accounting unit of governmental units is the financial allocation (funds allocated to each government unit)

3- Basis of measuring results:

Financial Accounting: The accrual basis is used when recording financial transactions (i.e., taking into account all revenues and all expenses for the period, regardless of the collection fact for revenue or the fact of reimbursement for expenses).

In governmental Accounting: the adjusted accrual basis (the revised monetary basis) is applied where the accrual basis is used to recognize expenditures and cash basis in revenue recognition.

CamScanner

4. The difference between revenue expenditure and capital expenditures:

Financial Accounting: It distinguishes between revenue expenditures and capital expenditures, where the method of treatment varies, each of which has a special treatment.

Governmental Accounting: It does not distinguish between its revenue expenditures and its capital expenditures, as they are all closed in the final account.

5. Depreciation calculation:

Financial Accounting: Depreciation is calculated for fixed assets.

Governmental Accounting: Does not follow the principle of fixed assets' depreciation, as these entities do not differentiate mainly between revenues expenditures and capital expenditures.

6. Inventory and final adjustments:

Financial Accounting: Focuses on inventor and adjustments to find out the reality of a financial position at a certain moment in an enterprise.

Governmental Accounting: Inventory and adjustments have no meaning and have administrative and regulatory meaning to verify the integrity of assets.

7. Result calculations:

inancial Accounting: usually; the trading account and profit and loss accounts are to be used in determining the ntities' results.

overnmental Accounting: There is only one account; the final account.

8. **The conservatism policy:**

Financial accounting: takes conservatism into account to meet the expected losses as a goal to preserve the capital through the different types of reserves.

Governmental Accounting: Due to the lack of capital in governmental units, this policy does not exist

9- **Preparation of budgets:**

Financial Accounting: determines - first - the resources needed to finance its economic activity (sources of funds), then determines the different aspects of the activity it is performing.

Governmental Accounting, the state estimates its expenditures and then estimates the resources needed to finance these expenditures, in the sense that they determine their expenditures and then determine the resources necessary to meet these expenses, the reason is that the state only that has the ability to control its resources (increasing and decreasing).

CamScanner

9- Sources of Financial Reporting Standards for Business and Non-Business entities (US entities)

(1) American Institute of Certified Public Accountant (AICPA)

Appoint of members Of

(2) Financial Accounting Foundation (FAF)

Board to appoint members of FASB & GASB

FASB (7 members)
Financial Accounting Standard Board
↓
Issued GAAP
↓
For all other organizations

- *Business organization*
- *Not for profit organization*

But Not Governmental units

GASB (5 members)
Governmental Accounting Standard Board
↓
Issued GAAP
↓
For Governmental Units

CS CamScanner

10- Hierarchy of GAAP for Governmental Units

Audition and preparers of financial statements for governmental units must select support for the procedures they follow from this hierarchy:

Level I : GASB Statements and Interpretations.
Level II : GASB Technical Bulletins.
Level III : Consensus position of a GASB Emerging Issues Taskforce.
Level IV : GASB staff implementation guides. (Current practices widely used).
Level V : Other accounting literature.

CamScanner

11- Summary of Abbreviations

1	CPA:	Certified Public Accountant
2	CMA:	Certified Management Accountant
3	CIA:	Certified Internal Auditor
4	CFA:	Certified Financial Analyst
5	EIAA:	Egyptian Institute of Accountant and Auditor
6	ACCA:	Association Certified Chartered Accountant
7	CA:	Chartered Accountant
8	AICPA:	American Institute of Certified Public Accountant
9	FFA:	Foundation Financial Accounting
10	FASB:	Financial Accounting Standard Board
11	GASB:	Governmental Accounting Standard Board
12	GAAP:	Generally Accepted Accounting Principles